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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

MANPOWER AND WELFARE
DIVISION

JAN 10 1973



Dear Mr. Kouzes:

We have completed a survey of the Cleveland Neighborhood Youth Corps Out-of-School project (CNYC) in Cleveland, Ohio. Although we found some improvements in project administration since the results of our last review were reported to the Congress (B-163096, March 15, 1968), certain project activities need further improvement. This report deals with Department of Labor monitoring activities and certain project practices which appear questionable. Other program activities will be reported on separately, as appropriate.

MONITORING

In our prior report, we cited the need for the Department to more effectively monitor sponsor operations. We found in our recent survey that the situation has not improved even though the Department issued the Comprehensive Regional Monitoring Handbook in July 1971.

The handbook requires systematic monitoring of manpower programs and components to ensure sponsor compliance with contractual requirements and departmental policies and procedures and to identify areas where changes may be needed. Specifically, it identifies five distinct activities involved in the monitoring process consisting of:

- reviews of sponsors' 6-month self-appraisal reports,
- desk reviews and analyses of other sponsor reports and records to identify current or potential problems or needs,
- onsite monitoring and analysis (The handbook requires three monitoring visits during the year: 30, 120, and 270 days after the contract award),
- post onsite analysis, reporting, and follow-up, and
- a report system for questionable activities if indications of fraud, criminal malfeasance or gross mismanagement are found.

Department regional officials have not made any monitoring visits to CNYC since the handbook was issued and have not insisted that the sponsor submit self-appraisal reports -- intended by the Department to highlight program accomplishments and problems. A Department regional official told us that monitoring, including follow-up on self-appraisal

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reports, is not being accomplished because of staff shortages.

We believe the Department's monitoring requirements, emphasizing a minimum frequency of onsite visits and reviews of sponsor reports, including the 6-month self-appraisal reports, should provide a basis for a realistic assessment of sponsors' program activities. Effective monitoring, however, requires not only good guidelines but effective implementation of the guidelines.

We discussed the problems of ineffective onsite monitoring and the failure of Department regional offices to require sponsors to prepare and submit 6-month self-appraisal reports in our recent draft report to the Congress on Effectiveness and Management of the Neighborhood Youth Corps In-School Program at three locations; the Department commented on this report on December 26, 1972.

We recommended in that report that because ineffective monitoring has been a persistent problem, the Department should further emphasize to its regional offices the importance of effectively implementing the monitoring guidelines issued in July 1971.

The infrequent onsite monitoring of CNYC and the failure of the sponsor to submit 6-month self-appraisal reports, notwithstanding the Department's issuance of the Comprehensive Regional Monitoring Handbook in July 1971, demonstrate the need for the Department to further emphasize to its regional offices the importance of effectively implementing the monitoring guidelines, and through its own review procedures, ensure that the implementation is effective.

QUESTIONABLE USE OF UNCLAIMED ENROLLEE WAGES

The Department requires projects to return unclaimed enrollee wages upon close out of a contract. However, a Department headquarters official advised us there are no regulations concerning use of unclaimed wages during the contract period. Since June 1969, CNYC has been using unclaimed enrollee wages to make loans to enrollees, usually in small amounts and for short periods of time. CNYC's contract with the Department limits use of project funds to making payments for enrollee wages and other allowable costs.

In April 1969, CNYC deposited voluntary contributions of \$177.95 into a special bank account -- Neighborhood Youth Corps Contribution Fund -- and made short-term no-interest loans to enrollees from the account. In June 1969, arrangements were made with the bank to deposit unclaimed enrollee paychecks into the account. Through November 30, 1972, 580 loans totaling \$7,544 had been made. All but 23 loans totaling \$241 were repaid through deductions from enrollee paychecks. We could not determine from project records whether the

2. On the basis of the above information, the Board of Education, in its resolution of July 1971, recommended that the Board of Education should pay the amount of \$1,000.00 to the Board of Education for the year 1971-72.

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We have reviewed the above information and the Board of Education's resolution of July 1971, and we believe that the Board of Education should pay the amount of \$1,000.00 to the Board of Education for the year 1971-72. We believe that the Board of Education should pay the amount of \$1,000.00 to the Board of Education for the year 1971-72.

RECOMMENDATION OF THE BOARD OF EDUCATION
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Since the above information is not a part of the Board of Education's project, we recommend that the Board of Education should pay the amount of \$1,000.00 to the Board of Education for the year 1971-72.

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C. D. Bush
Chairman
Board of Education

The Board of Education
Deputy Chairman
Board of Education
U. S. Department of Education